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National Association of Purchasing Management

Report On Business®

January 5, 1987
Volume 5, Number 1

Purchasing Index Rises Slightly to 51.8%

Price Increases Firm

Deliveries Slower

Analysis by the Business Survey Committee; chairman, Robert J. Bretz, C.P.M., director of materials management, Pitney Bowes, Inc.

The *Report on Business* is published monthly by the National Association of Purchasing Management, based on data compiled from replies to questions asked of purchasing managers in some 250 industrial companies. Membership of the Business Survey Committee is diversified geographically, based on value added by state, and by Standard Industrial Classification category, based on each industry's contribution to national income.

December Report

The economy ended the year with the same slow growth pattern in which it began, say the nation's purchasing managers in their latest **Report on Business.** Historically, both production and new orders decline in December and this year was no exception. Vendor deliveries slowed somewhat, apparently more as a consequence of the U.S. Steel strike than any other factor. Inventory levels fell significantly, again a usual occurence in December. However, the 41% of members reporting lower inventory is the highest since December 1982 (47%). Employment continued at a depressed level. More purchasers reported higher rather than lower prices by a ratio greater than 3 to 1 for the fourth consecutive month.

The report was issued today by Robert J. Bretz, C.P.M., chairman of the National Association of Purchasing Management's Business Survey Committee and director of materials management, Pitney Bowes, Inc. Mr. Bretz said, "In December, the economy continued to grow at the same modest rate exhibited over the past five months. We would anticipate a slightly better January after the traditional seasonal dip in December."

The **Purchasing Managers' Composite Index** increased fractionally to 51.8% from 51.3% in November. The stability of this leading indicator in 1986 is noteworthy. Although falling below 50% in three of the months, the quarterly averages have shown little variance (first quarter — 51.2%, second quarter — 50.9%, third quarter — 50.8%, fourth quarter — 51.8% and a full year average of 51.1%). A reading below 50% generally indicates that the economy is in a declining phase: above 50%, that the economy is generally expanding.

Employment

Employment levels were only slightly higher in December. The number of members reporting lower employment declined to 29% from 32% in November, while the number indicating higher remained at 9%, for a net 3-point improvement in December.

Employment %	Higher	Same	Lower	Net Differ.
December	9	62	29	−20
November	9	59	32	−23
October	6	72	22	−16

Buying Policy

Lead times for production materials lengthened somewhat in December as the number of members reporting lead times of 30 days or less declined to 54% from 58% in November. This may be a reflection of the increase in past due deliveries of steel products as a result of the lengthy strike. In capital expenditures, leadtime in the important six-months-and-longer category fell for the third consecutive month to 52%, from 55% in November, 57% in October, and 60% in September. This suggests the efforts to increase capital expenditures in 1986 to beat the tax reform changes have ended. More importantly, it may be signaling that increased capital expenditures in the later months of 1986 were "borrowing" from early 1987. Lead times for MRO supplies were virtually unchanged from November.

Production Materials %	Hand to Mouth	30 Days	60 Days	90 Days	6 Months and Longer
December	17	37	27	13	6
November	17	41	24	13	5
October	17	38	24	14	7
MRO Supplies %					
December	49	37	8	5	1
November	48	39	9	3	1
October	45	44	7	3	1
Capital Expenditures %					
December	13	7	9	19	52
November	10	5	11	19	55
October	14	3	8	18	57

Semiannual Forecast

By a margin of better than 3 to 1, purchasers predict 1987 will be better than 1986. In addition, improvement in the economy is expected to continue into the first quarter of 1987 and accelerate in the second. Almost two-thirds of purchasing managers expect prices to increase over the next six months. The 64% of purchasers who see higher prices is up significantly from May (44%) and is almost twice as many as a year ago (33%). This sharp reversal of trends in price changes is confirmed by the low 6% of members forecasting lower prices, only a third of the total predicting lower prices in May (17%). Looking ahead purchasers say they will spend less on capital expenditures in 1987 than in 1986 by a ratio of 4 to 3. While 59% of members say they are concerned about the economy in the next 12 months, inflation is not a concern for purchasers, who indicate price increases will be selective and slight.

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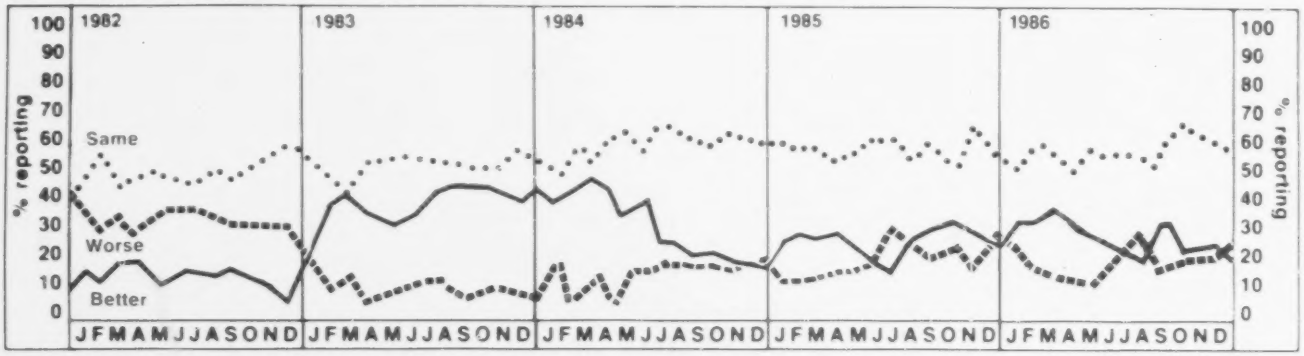
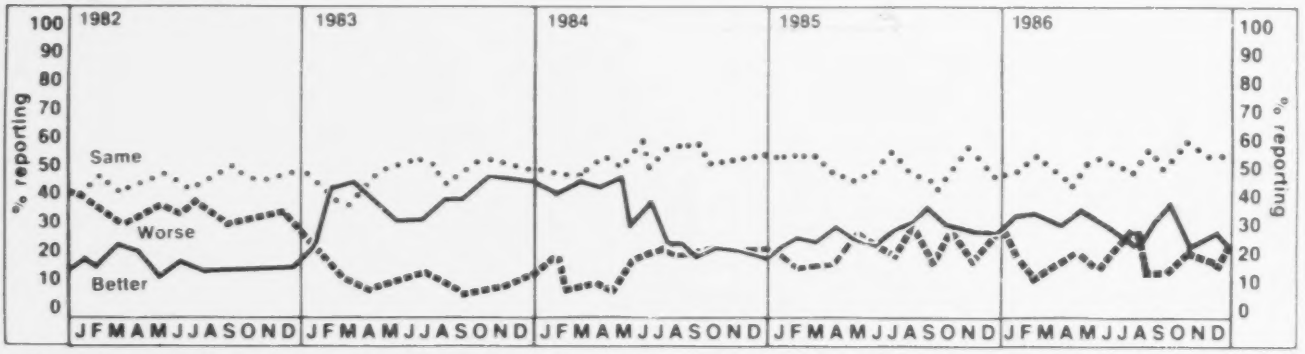
Production



After reporting four consecutive months of expanding production, purchasers reported a decline in December. More members reported worse production (25%) than better (19%) as the anticipated seasonal drop materialized. Conversely, most members expect to see production expand in January as industry replenishes lower year-end inventories.

Production %	Better	Same	Worse	Net
December	19	56	25	− 6
November	22	61	17	+ 5
October	20	65	15	+ 5

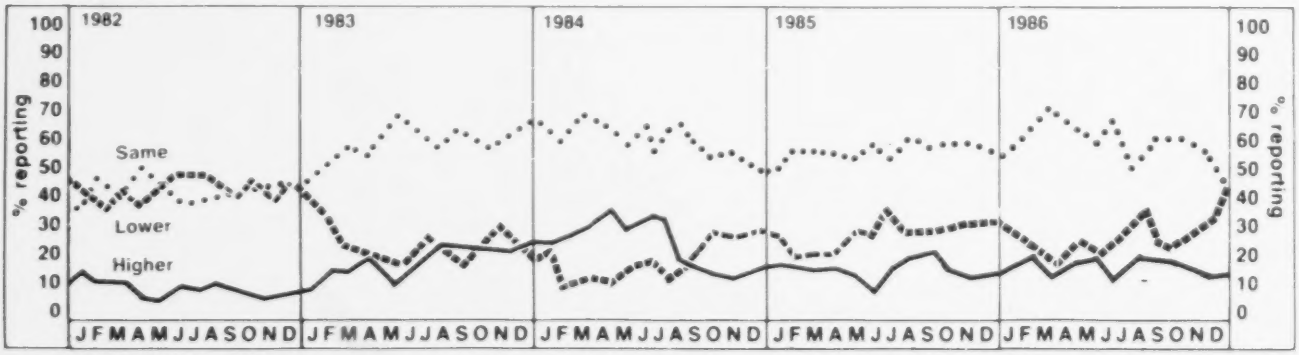
New Orders



December ended a string of four consecutive months in which new orders expanded. Slightly more members reported new orders were worse (23%) compared to better (22%). Nevertheless, most expect a pickup in January because of the extremely low inventory levels at year-end.

New Orders %	Better	Same	Worse	Net
December	22	55	23	− 1
November	28	54	18	+10
October	22	58	20	+ 2

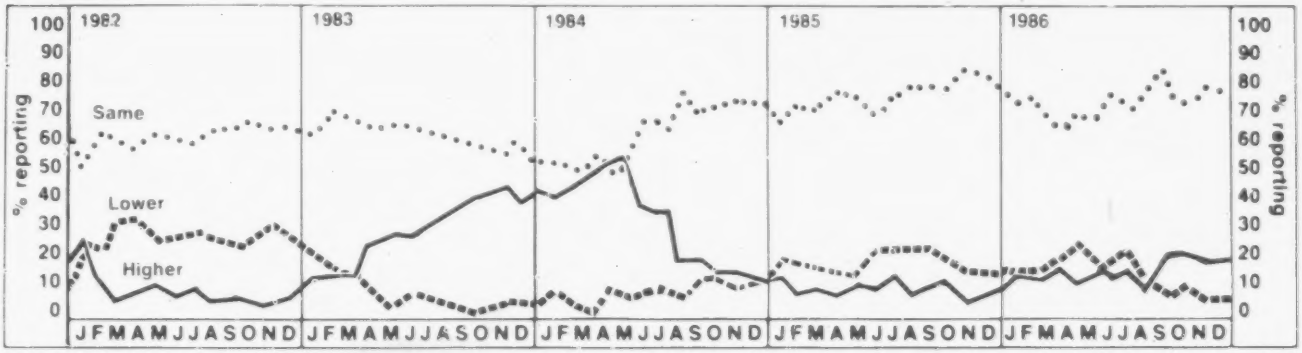
Inventories



Inventory levels plunged in December as they did in November. While low inventory is a usual occurence at the end of the year, this year's dramatically lower levels confirm the growing trend of companies to get along with less inventory.

Inventories %	Higher	Same	Lower	Net
December	12	47	41	−29
November	11	55	34	−23
October	17	58	25	− 8

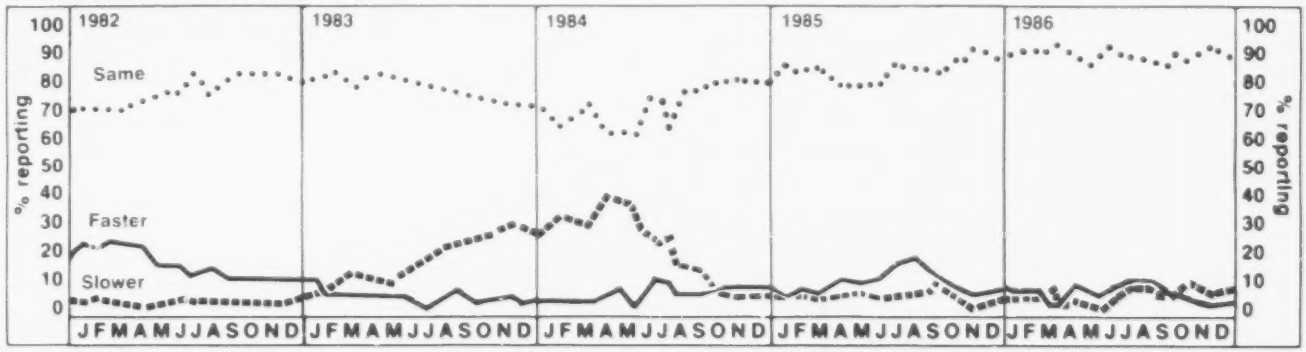
Prices



For the fourth consecutive month, more purchasers are reporting higher prices (18%) compared to lower (5%). Moreover, the ratio of those reporting higher prices has averaged over three to one during this four-month span. In its latest Semiannual Economic Forecast released December 9th, purchasing managers indicated they expected this trend to continue through the first half of 1987, but increases will be selective and slight.

Prices %	Higher	Same	Lower	Net
December	18	77	5	+13
November	17	78	5	+12
October	20	73	7	+13

Vendor Deliveries



Vendor deliveries slowed somewhat in December for the fourth consecutive month. Many purchasing managers attributed an increase in past due deliveries directly to the growing backlog in steel shipments caused by the lengthy strike at U.S. Steel.

Vendor Deliveries %	Faster	Same	Slower	Net
December	4	88	8	− 4
November	3	91	6	− 3
October	6	86	8	− 2

Specific Commodity Changes

No significant items were reported down in price in December. This is the first time, also, none were reported lower in price since April 1984. No items were reported in short supply. Titanium dioxide (a lead-free pigment used heavily as a whitener in coatings and industrial applications) had previously been reported short for eight of the previous nine months and was the only item reported short over the past 23 months. Only three items were reported up in price in December: paper, benzene, and miscellaneous lumber products. Corrugated shipping containers, after being reported higher in price for eight consecutive months, were not up in price in December.

UP in Price: Paper, Benzene (used as a chemical solvent and in motor fuels) and miscellaneous lumber products

DOWN in Price: None

In SHORT Supply: None

The National Association of Purchasing Management's *Report on Business* records the actual changes and rates of change in five important categories of data: production, new orders, employment, inventories and vendor deliveries. These five components, as reported, are not adjusted to compensate for seasonal variations.

Economists have devised a variety of formulas to compensate data for seasonal variations. N.A.P.M. cooperates with the U.S. Department of Commerce, which prepares the monthly Purchasing Managers' Composite Index for publication by N.A.P.M. The Department of Commerce adjusts the five above-mentioned components of the *Report on Business*, applies various weights to each and combines them into a single index number. The Composite Index is based on analysis by the U.S. Department of Commerce, and is the only part of the report adjusted for seasonal variations.

Note: The next issue of the *Report on Business* will be available Feb. 2, 1987.

Commodity Reports

Wood Products

Prepared by the N.A.P.M. Wood Products Committee; chairman, Sam Craven, Pope & Talbot, Inc., Portland, OR.

After a spring and summer filled with employee strikes and mill closings, most West Coast mills are running at or near capacity (except British Columbia mills).

In British Columbia, approximately 60% of the sawmills have been on strike since mid-July. At the time of this writing, it looks as though they will be out at least until the end of the year. The most likely end to the strike will be a result of legislation. However, to date, even the legislative efforts have not been successful. The mills that are operating in British Columbia are operating at increased capacity, which has added some volume to what they previously produced. As long as these British Columbia mills are on strike, the market for fir and pine will probably remain fairly constant in regard to supply and price.

The 15% duty imposed on the Canadian lumber imports will help to hold prices steady, since American mills have raised their prices to coincide with the increase created by the duty.

Housing starts have been declining (which is normal for this time of year) and estimates for 1987 depend on which economist you listen to. With interest rates holding at their current levels, we should be looking at 1987 to pretty much parallel 1986.

NOTE: In order to provide additional meaningful columns on the Wood Products, we need input from a well-rounded segment of the industry. Anyone who would be willing to participate in this effort, should please write to the committee chairman at P.O. Box 8171, Portland, OR 97207.

Nonferrous Metals

Prepared by the N.A.P.M. Nonferrous Metals Committee; chairman, George R. A. Milne, C.P.M., Delta Faucet Co., Indianapolis, IN.

Zinc

The upward price trend in the zinc market, which was established during the second quarter of 1986, gained momentum and support well into the fourth quarter. During this period, the supply/demand relationship was strained when demand remained strong through the historically weak summer months. Due to labor strikes, maintenance shutdowns, and production problems, sufficient reporting stocks were unavailable. Unit prices increased at an average rate of $0.03/pound per month in the May to October timeframe (from $0.33/pound to $0.47/pound) before recently falling to $0.44/pound under pressure of weakening demand and announced labor settlements.

Fundamental oversupply still plagues the zinc industry. Obviously, there is still little hope for any surges in demand; therefore, barring further work stoppages or production cuts affecting zinc concentrate or metal availability, the market should continue to weaken into 1987. (Victoria P. Radick, National Steel Corporation)

Cadmium

Since mid-1986, the cadmium market has remained fairly stable with respect to supply, demand, and price. Trader activity has picked up from time to time as larger buyers came into the market and/or when shortages appeared imminent due to producer strikes or cut backs in production levels.

The strike at the major North American producer has been settled, however, the effect was not long term and market conditions settled back to the minor adjustments as they are presently. Current prices, with slight variations, are now at $1.05 to $1.15 per pound for metal, depending on quantities ordered.

The availability of cadmium in the oxide and powder form is good. Demand has increased slightly, and prices have remained fairly stable for some time and have not been influenced by the minor fluctuations in the metal prices.

Despite environmental pressures, overall consumption of cadmium has remained stable over the past decade and is in continued use in both electro and mechanical plating, batteries, pigments, plastics, and various alloys.

The short-term outlook should see no major changes in either price, supply, or demand, however, some firming of price will probably take effect midway through the first quarter of 1987 as consumers go back into the market after the year-end slow down. (Wilfred P. Brandes, Kraft Chemical Company)

Lead

The price of lead has risen dramatically from $0.19/pound in May to November's $0.29/pound level.

The primary cause for the higher prices has been Homestake Mining's purchase of Amax's portion of the Missouri mine and smelter in Buick in addition to a more recent partnership with St. Joe Lead to form the Doe Run Company. The Buick mine and smelter have remained closed since April, reducing United States output by 10,000 tons per month.

Secondary smelters are running at capacity, enjoying the sudden profitability that the higher prices have brought. However, the EPA's July 5th mandate, which requires that smelters carry environmental liability insurance, makes their future uncertain. The law has not been enforced as of yet because the insurance is not available.

United States stocks and LMS inventories have dropped a total of 127,000 tons since March to a current combined total of 76,000 tons; the lowest they have been since 1979.

We look for lead to remain readily available, but at prices higher than $0.25/pound. In 1987 prices could reach the mid $0.30/pound level. (T.A. Parker, EXIDE Corporation)

Copper

After a first half of Comex copper prices at an average of $0.64/pound, the contributing low inventory position has been reversed and stocks have been increasing, with Comex values retreating by about 10%.

Although stocks are still relatively low, 1987 production is anticipated to exceed consumption by 100,000 to 150,000 tons due to a modest increase in demand (+2%), but with sizable new production sources (+4%) starting up primarily in the U.S.

Much of this capacity will not be fully realized until the second half of 1987. In the interim, we anticipate a modest price rise early next year to, perhaps, the same levels as a year ago, with a probable retreat similar to the second half of 1986.

One major change is the U.S. producers' reaction to competitive pressures with the development of a wide array of pricing options; the principal feature — prices individually tailored to each destination location.

During this past year, there appears to be a recognition by producers that unofficial pricing actions created some distortions in market participation and these changes are a reaction to correct that. Its effect is to place all sellers of copper in a more tightly framed competitive pricing mode.

The anticipated lack of dynamics in copper prices (attributable to increasing supply) and lack of speculative interest, could change if some lengthy disruption in supply would occur; such as in Zaire, Zambia, or Chile, which is possible but not probable.

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National Association of Purchasing Management

Report On Business®

February 2, 1987
Volume 5, Number 2

Purchasing Index Rises to 55.8%

Production & New Orders Up Sharply

Prices Higher By Over 5 to 1 Ratio

Analysis by the Business Survey Committee; chairman, Robert J. Bretz, C.P.M., director of materials management, Pitney Bowes, Inc.

The *Report on Business* is published monthly by the National Association of Purchasing Management, based on data compiled from replies to questions asked of purchasing managers in some 250 industrial companies. Membership of the Business Survey Committee is diversified geographically, based on value added by state, and by Standard Industrial Classification category, based on each industry's contribution to national income.

January Report

The growth rate of the economy increased sharply in January, say the nation's purchasing managers in their latest **Report on Business.** The rate of growth in new orders was significant with 40% reporting better new orders, the most since April 1984 (46%). Production growth rates expanded also, coming back from a normal seasonal decline in December. The +25 net difference between the 37% reporting better production and the 12% reporting it worse is the highest since June 1984. Purchasers reported significant increases in inventory from the seasonally low December level. The Purchasing Managers' Composite Index jumped to 55.8% from 50.4% in December. This is the highest index registered since July 1984 (56.1%). For the fifth consecutive month, more purchasers reported higher rather than lower prices, this time by a ratio of over 5 to 1.

In answer to special questions, members reported there has been a definite decrease in imports with a corresponding increase in exports. Of the 75% of members whose companies export their products, 40% reported their export orders improved moderately over the past two months with 4% reporting substantial gains. Of those reporting improvements in export orders, 57% said the gain was in short cycle products (within 3 months lead time), 30% said longer cycle products and 13% indicated both. Of the 78% of members who said they purchase from off-shore suppliers, 71% reported no decrease in these purchases over the past two months, while 21% reported moderate decreases and 8% said their decreases were substantial.

The report was issued today by Robert J. Bretz, C.P.M., chairman of the National Association of Purchasing Management's Business Survey Committee and director of materials management, Pitney Bowes, Inc. Mr. Bretz said, "After the usual seasonal dip in December, we anticipated a better economy in January, but the magnitude of this improvement is most impressive. The substantial increase in new orders suggests healthy production levels for the first quarter. Some of this improvement appears to be fueled by an increase in exports and a slight shift from off-shore purchases to domestic suppliers."

The **Purchasing Managers' Composite Index** rose significantly to 55.8% in January, mirroring the improvements in all indicators except vendor deliveries. The number reflects an update by the Department of Commerce of the seasonal adjustment factors used to calculate the Purchasing Managers' Composite Index. January's index is an increase from 50.4% in December and 50.8% in November, which have also been revised for the updated seasonal adjustment factors. A reading above 50% generally indicates that the economy is in an expanding phase: below 50%, that the economy is generally declining. The index is based on analysis by the U.S. Department of Commerce. Except for this index, the information in this report is not seasonally adjusted.

Net Difference

In each category measured, this report shows a net difference. It is the difference between the number of responses in the positive direction (higher, better, faster) and the negative direction (lower, worse, slower). Analysis of the month-to-month difference compares the rate of change.

Employment

Employment was reported higher in January than the three previous months. The net difference between those reporting higher employment (13%) and lower (20%) declined to −7%, the best since May 1986 (−4%). Nevertheless, members did not expect this rate of improvement to continue.

Employment %	Higher	Same	Lower	Net Differ.
January	13	67	20	− 7
December	9	62	29	−20
November	9	59	32	−23

Buying Policy

Lead times for production materials declined in January as the number of members reporting lead times of 30 days or less increased to 59% from 54% last month. After falling in December, lead times for capital expenditures in the significant six-months-and-longer category increased to 57% from 52%. This may be an indication that there was less "borrowing" from 1987 than was originally thought. Lead times for maintenance, repair, and operating (MRO) supplies were slightly less in January, with 88% of members reporting lead times of 30 days or less compared to 86% in December.

Production Materials %	Hand to Mouth	30 Days	60 Days	90 Days	6 Months and Longer
January	17	42	25	10	6
December	17	37	27	13	6
November	17	41	24	13	5
MRO Supplies %					
January	50	38	6	5	1
December	49	37	8	5	1
November	48	39	9	3	1
Capital Expenditures %					
January	12	3	10	18	57
December	13	7	9	19	52
November	10	5	11	19	55

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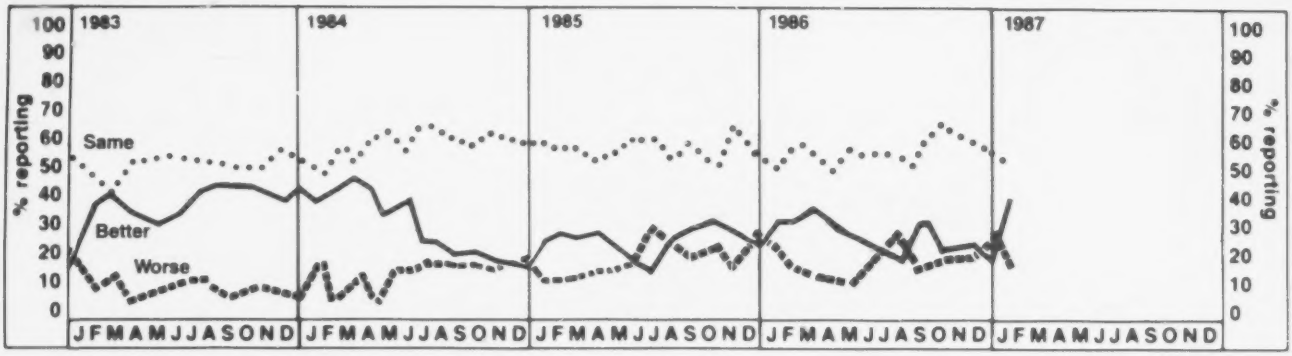
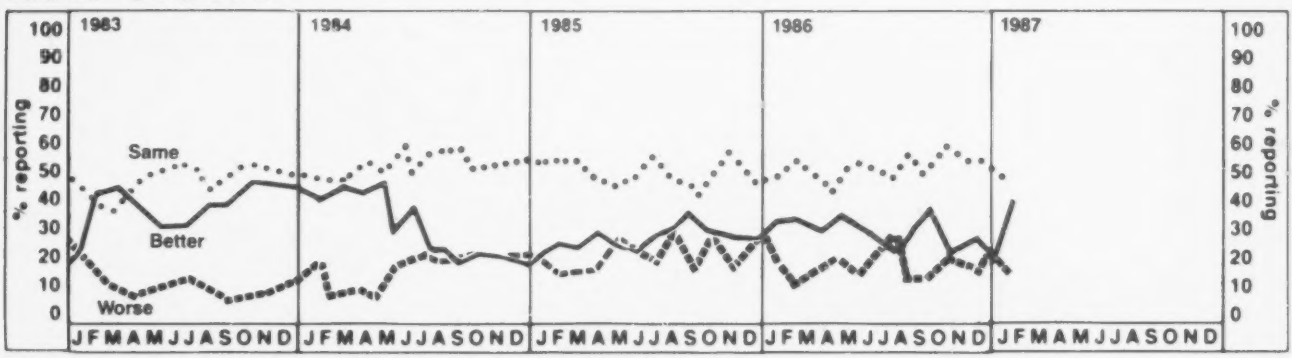
Production



The 37% of members who reported better production in January is the highest total since April 1984 (41%). The net difference between those reporting production as better compared to worse was +25. This is the largest difference since June 1984 (also +25). This improvement is significant, even when considering that January normally shows an improvement from the seasonal low in December.

Production %	Better	Same	Worse	Net
January	37	51	12	+25
December	19	56	25	− 6
November	22	61	17	+ 5

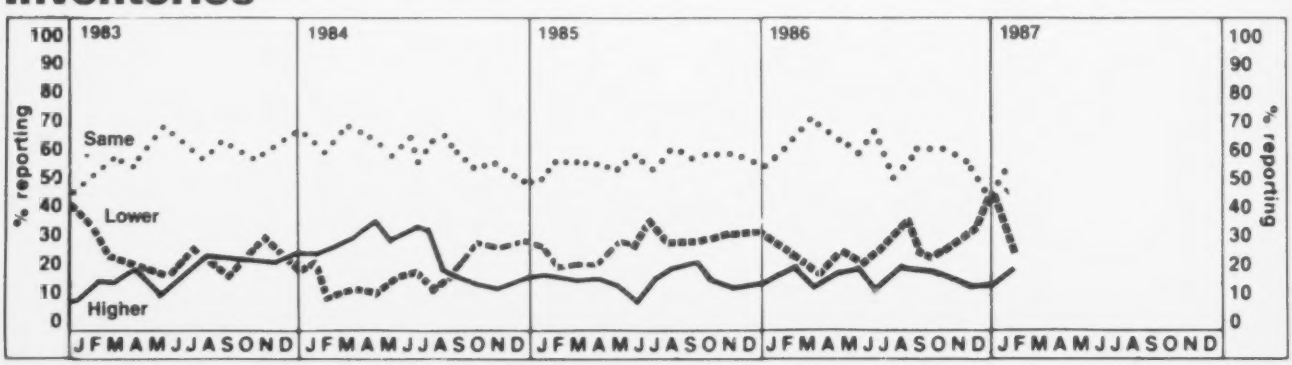
New Orders



The increase in growth was beyond most expectations. The net difference between those members reporting better new orders (40%) compared to those reporting worse (15%) is +25. This is the largest net difference since April 1984 (+40) at the peak of the current recovery. This leading indicator should be watched to see if this growth rate can be sustained.

New Orders %	Better	Same	Worse	Net
January	40	45	15	+25
December	22	55	23	− 1
November	28	54	18	+10

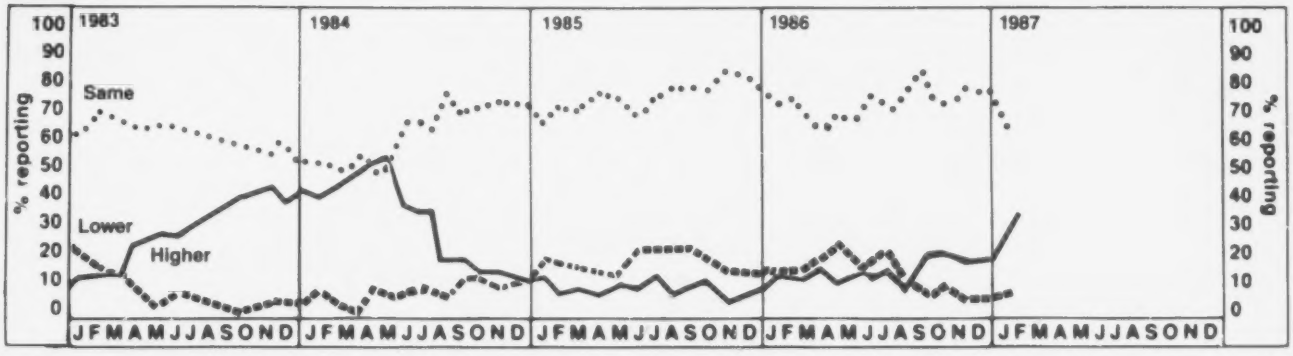
Inventories



Inventories were reported substantially higher in January after the lower than normal seasonal decline in December. The 19% who reported higher inventories is the most since May 1986 (also 19%).

Inventories %	Higher	Same	Lower	Net
January	19	56	25	− 6
December	12	47	41	−29
November	11	55	34	−23

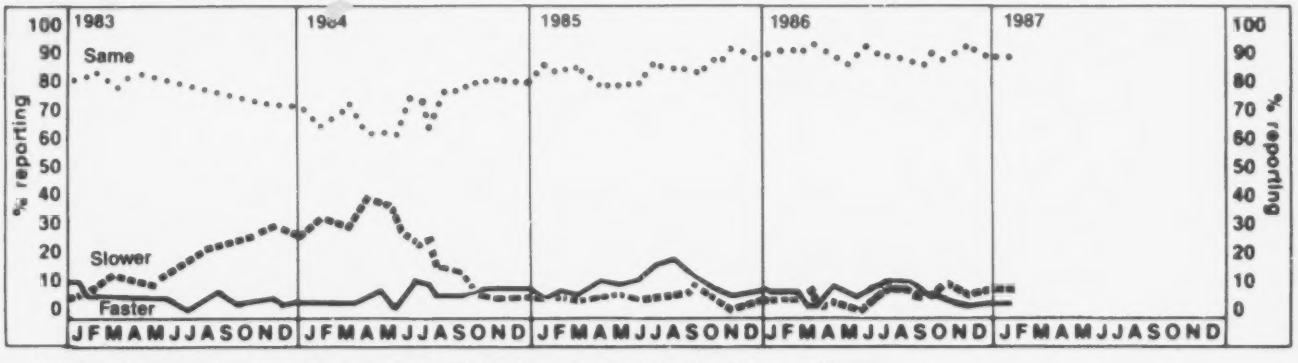
Prices



January marks the fifth consecutive month that more purchasers reported higher compared to lower prices. The 32% who reported paying higher prices in the most since May 1984 (33%). However, purchasing managers are characterizing these increases as mild and moderate.

Prices %	Higher	Same	Lower	Net
January	32	62	6	+26
December	18	77	5	+13
November	17	78	5	+12

Vendor Deliveries



Vendor deliveries were unchanged from December. January is the first month in the past five that vendor deliveries have not slowed. Many members indicating slower deliveries said they were the result of tight supplies of steel, a consequence of the lengthy U.S. Steel strike.

Vendor Deliveries %	Faster	Same	Slower	Net
January	4	88	8	– 4
December	4	88	8	– 4
November	3	91	6	– 3

Specific Commodity Changes

More items were reported up in price in January than in any month since July 1984. Most frequently mentioned as increased in price were paper, petroleum products, and steel. Also mentioned as higher priced were cotton fabric and plastic resin and products. Only corn sweeteners were reported lower in price. Titanium dioxide once again was reported in short supply, the ninth time in the past eleven months. Miscellaneous steel products also were reported in short supply, caused by the lengthy U.S. Steel strike.

UP in Price: Corrugated shipping containers, kraft linerboard (used in making corrugated shipping containers), miscellaneous paper packaging products, printing paper, cotton fabric, plastic resins and products, steel, fuel oil, diesel fuel, gasoline, and natural gas

DOWN in Price: Corn sweeteners (used in food products)

In SHORT Supply: Titanium dioxide (a lead free pigment used heavily as a whitener in coatings and other industrial applications) and miscellaneous steel products

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Commodity Reports

Paper Products

Prepared by the N.A.P.M. Paper Committee; chairman, Glenn Farber, C.P.M., Vanier Graphics Corporation, Santee, CA.

The deadline for this particular report is too early to have the 1986 total year results available. However, all indications based on October data indicate another record paper year with total paper and paperboard production well outpacing the GNP. The third quarter was especially strong with total paper and paperboard production increasing at an 8.1% yearly rate.

Newsprint

The projected increase for newsprint consumption for 1986 is 2.7%. It is further projected that this consumption will decline slightly in 1987. The newsprint mills in eastern Canada are running at 97% and projections are that all newsprint mills will reach this production level by 1988 which indicates a fairly tight newsprint market approaching. Some added capacity is scheduled for October 1987. Price increases of $35.00 MT were posted for October 1, 1986 which would not be fully implemented until the first quarter of 1987. The six month forecast is for stable pricing but the longer term forecast is that this may not be the case as operating rates approach the 100% mark.

Uncoated Groundwood

This grade has been experiencing an increase in demand since mid 1986; this could be caused by seasonal demand. One respondent says supplies are tight — another says fairly available. The respondent stating fairly available does import heavily. Import supplies should be adequate since most of the decline in uncoated groundwood shipments has been at the expense of imports. The imports are down 7.6% from a similar period last year while domestic production is up a slight 1.1%. Attempts at price increases are following the newsprint increase. Continued reduced demand presents pressure on this grade by lightweight coated but this may be offset by an increased demand from forms manufacturers due to the continued price increases of forms bonds. There should be no supply problems for this grade in the near term. Overall, inventories appear to be stable.

Coated Groundwood

This commodity appears to be readily available. Supplies are adequate for both the near and long term forecast. Prices are depressed and could be decreasing further. Deliveries are four weeks or less.

Uncoated Free Sheet

This commodity continues to outpace all other grades in both domestic production and the increase of imports. Domestic production is up 8.4% and imports are running approximately 33% ahead of 1985. Forms bond shipments still lead all grades in this commodity with shipments up 13% plus. Some demand has to be accounted for by inventory building, especially in those grades experiencing repeated price increases (e.g. forms bond will receive its fourth price increase this year announced for January 1.) Availability is still adequate and two new machines are in the process of a start up. However, the sale of the Champion (Pasadena, Texas) mill to Simpson may change the product mix of that mill and thereby reduce the incremental tonnage increase of the new machines. Expect adequate supplies through most of 1987. One source expects operating rates to drop by 2% in 1987. Now that prices are back to the levels which most mills feel are profitable, there should be price stability through most of 1987.

Coated Free Sheet

Some strength is regaining in this commodity after a very weak first half of 1986. Deliveries are currently at three to five weeks; they should not get much worse. Moderate price increases are posted but it's too early to tell if they will hold or if discounting may be prevalent. Do not expect any further increases in 1987. There is a recent addition of 215,000 TPY in Maine and a recent announcement of a 1988 addition in Minnesota. Two other mills are studying additions of new machines to start late this decade.

Bleached Bristols

This commodity is also experiencing a very good increase in domestic production, growing at a 8.9% rate. Leadtimes are running at approximately one month and products are fairly available.

Paperboard/Linerboard

The paperboard/linerboard commodities are experiencing a nice 7% YTD growth over 1985. Linerboard is especially strong due to healthy increases in exports. Paperboard availability has greatly improved in recent weeks with some recent expansions now in place. Additional capacity is due shortly on SUS grades. Inventories are currently decreasing on remaining paperboard items — linerboard inventories decreased early in 1986. Prices for SUS grades are increasing early in 1987 with an increase in SBS expected later in the first quarter of 1987. Prices should be stable after these increases. There are continued announcements on linerboard increases but full industry will not support it so increases merely get announced again for a later effective date.

Pulp

World-wide supplies of pulp have decreased dramatically in 1986 and have remained down by selective downtime by major producers; this has facilitated four price increases to be implemented this past year. Since these increases now get levels back to the prediscounting days, it is anticipated that there should be price stability in pulp throughout much of 1987. This is a major requirement in order to ensure paper price stability.

Packaging and Containers

Prepared by the N.A.P.M. Packaging and Containers Committee; chairman, Carl D. Dirkse, C.P.M., S.C. Johnson & Son, Inc., Racine, WI.

Metal Cans

Supply is adequate, although some tightness is showing up due to the USX steel strike. Rumors of a price increase in the first quarter are being heard as a result of tinplate price increases. At the time of this writing, the ownership of the can companies is in turmoil.

Fibre Cans

Supply is adequate to surplus due to the conversion to plastic. Prices are relatively stable.

Glass

The supply of glass bottles continues to be tight due to plant closings. This is causing concern about possible price increases.

Molded Plastics

Availability is adequate to surplus. Some price increases are being experienced due to resin increases.

Films

There is plenty of capacity for films. Prices are firming due to resin increases.

Laminated Stock

Most members report adequate capacity as being available. As a result, prices are stable.

Metal Drums

This is an industry with more than adequate capacity. As a result prices are stable, although one member reports an increase.

Fibre Drums

This continues to be an industry with adequate to surplus availability. Some members report price increases due to linerboard increases.

Folding Cartons

This market, which has had surplus capacity for a long time, is experiencing increased demand. As a result, some price increases are being experienced.

Corrugated

Linerboard mills are running near capacity. Some spot shortages of certain linerboard grades are showing up. It appears that prices based on $320.00 per ton of linerboard are holding. Linerboard manufacturers are pushing for $350.00 per ton. It remains to be seen if they will be successful.

Bags

Supply is adequate. Some price increases are being experienced due to paper and resin increases.

A6910-1
2/87

National Association of Purchasing Management

News Release

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For Release: *February 2, 1987*

U.S. DEPARTMENT OF COMMERCE MAKES ANNUAL ADJUSTMENTS TO PURCHASING MANAGERS' COMPOSITE INDEX

The Department of Commerce recently made its annual adjustment to the seasonalization factors used to calculate the Purchasing Managers' Composite Index. Economists and managers who track the index will note these changes in the January issue of the Report on Business, a monthly publication of the National Association of Purchasing Management.

The Purchasing Managers' Composite Index, based on analysis by the U.S. Department of Commerce, adjusts five components of the National Association of Purchasing Management's business survey--new orders, production, employment, vendor performance, and inventories--for normal seasonal variation, applies various weights to each, and melds them into a single monthly index number that indicates whether the ecomony is expanding or declining.

It's standard practice to project the seasonal adjustment factors used to calculate the index a year ahead by computer. The Department of Commerce then takes the actual experience for that year and adjusts the factors, impacting not only the prior year but all recent years. The old and new Composite Indexes for 1983 through 1986 are attached, as well as the 1987 projected seasonal factors. The 1987 seasonal factors will be recomputed when the actual data are known,

The National Association of Purchasing Management is an educational organization committed to providing national and international leadership in purchasing and materials management research and education. Founded in 1915, the association, through its network of over 160 affiliates and its nearly 28,000 members, provides opportunities for purchasing and materials management practitioners to enhance their professional skills and knowledge.

early, in 1988.

For more information on the Purchasing Managers' Composite Index and the Report on Business, contact the National Association of Purchasing Management, P.O. Box 418, Oradell, New Jersey 07649, (201) 967-8585.

The Department of Commerce has updated the seasonal factors used to calculate the Purchasing Managers' Composite Index. Last year's experience modified the seasonal factors that had been projected one year ago for 1986, and changed slightly the seasonal factors for earlier years. Previously-published and revised Composite Indexes are listed below, together with projected seasonal factors for 1987.

Yr./Mo.	New	Old	Diff.
1983:1	46.0	46.1	-0.1
1983:2	54.4	54.6	-0.2
1983:3	53.9	53.9	0
1983:4	54.2	54.0	0.2
1983:5	56.1	56.2	-0.1
1983:6	57.5	57.2	0.3
1983:7	63.6	63.0	0.6
1983:8	63.1	62.9	0.2
1983:9	62.5	62.8	-0.3
1983:10	64.4	64.6	-0.2
1983:11	66.0	66.2	-0.2
1983:12	69.9	70.4	-0.5
1984:1	60.5	60.9	-0.4
1984:2	61.3	61.5	-0.2
1984:3	58.9	58.9	0
1984:4	61.0	60.6	0.4
1984:5	58.6	58.7	-0.1
1984:6	58.1	57.5	0.6
1984:7	56.1	55.3	0.8
1984:8	53.0	52.9	0.1
1984:9	50.0	50.3	-0.3
1984:10	50.8	51.1	-0.3
1984:11	50.3	50.6	-0.3
1984:12	50.6	51.2	-0.6

Yr./Mo.	New	Old	Diff.
1985:1	50.6	51.1	-0.5
1985:2	49.7	49.9	-0.2
1985:3	47.7	47.5	0.2
1985:4	48.0	47.6	0.4
1985:5	47.6	47.7	-0.1
1985:6	47.8	47.2	0.6
1985:7	47.8	46.9	0.9
1985:8	47.8	47.7	0.1
1985:9	50.1	50.6	-0.5
1985:10	51.1	51.4	-0.3
1985:11	51.7	52.1	-0.4
1985:12	50.5	51.2	-0.7
1986:1	51.8	52.4	-0.6
1986:2	50.7	50.9	-0.2
1986:3	50.8	50.4	0.4
1986:4	49.3	48.7	0.6
1986:5	54.1	54.4	-0.3
1986:6	50.3	49.6	0.7
1986:7	47.8	46.7	1.1
1986:8	52.8	52.6	0.2
1986:9	52.6	53.2	-0.6
1986:10	51.5	51.9	-0.4
1986:11	50.8	51.3	-0.5
1986:12	50.4	51.8	-1.4

To compute Composite Index

1. Calculate unadjusted diffusion index for each component (percent up plus one half of percent same or unchanged). For vendor deliveries (percent slower plus one half of percent same or unchanged).
2. Divide each unadjusted diffusion index by its seasonal factor (round to one decimal place).
3. Multiply each seasonally adjusted diffusion index by its weight and sum.

1987 SEASONAL ADJUSTMENT FACTORS FOR N.A.P.M. PURCHASING MANAGERS' COMPOSITE INDEX

	New Orders	Production	Employment	Vendor Deliveries	Inventories
January	1.009	1.043	0.962	0.997	0.986
February	1.103	1.079	0.989	1.009	1.007
March	1.086	1.108	1.074	1.056	1.056
April	1.108	1.088	1.081	1.019	1.087
May	0.955	1.017	1.030	1.021	1.023
June	0.982	0.996	1.017	0.978	0.984
July	0.940	0.901	1.056	1.009	1.000
August	0.962	0.959	0.994	0.977	1.008
September	1.045	0.990	0.987	1.009	1.002
October	0.925	0.966	0.967	0.983	0.939
November	0.984	0.973	0.931	0.972	0.914
December	0.906	0.887	0.909	0.969	0.928
WEIGHT	30%	25%	20%	15%	10%